



AFFORDABLE HOUSING 2007 INITIATIVES

Everyone deserves a decent, safe and affordable place to live. To meet Hawai'i's affordable housing needs, the Lingle-Aiona Administration is building upon the foundation it laid in 2005 and 2006. The Administration's 2007 legislative package dedicates significant financial resources to new for sale and rental construction, homeless shelters and public housing repairs as well as improves the laws that govern the development and operation of affordable housing.

Build More Affordable Housing

Dwelling Unit Revolving Fund

Given the shortage of developable land and high construction costs, it is difficult to make affordable housing projects economically feasible without financial underwriting from the State. The Dwelling Unit Revolving Fund provides that underwriting assistance to private developers by offering:

- (1) equity gap financing for affordable rental projects to leverage 4 percent noncompetitive tax credits;
- (2) offsite infrastructure; and
- (3) interim construction financing for affordable for-sale housing.

The Lingle-Aiona Administration is proposing legislation to appropriate \$25 million per year over the next two years into the Dwelling Unit Revolving Fund. This cash infusion would help offset the \$58.4 million that was taken out of the fund by the Legislature since 1995.

Because these funds are leveraged with private money, federal and state tax credits and bank loans, it is estimated these funds could be used to build up to 1,000 new units. Additionally, because this is a revolving fund, the money would re-circulate back into the account to be loaned out again for more housing projects.

Rental Housing Trust Fund

The Lingle-Aiona Administration is again proposing to permanently increase the amount of the conveyance tax that is deposited into the Rental Housing Trust Fund.

The conveyance tax is paid when a property is bought and sold in Hawai'i. Under current law 50 percent of the tax goes into the Rental Housing Trust Fund, but this allocation will expire on June 30, 2007, when the percentage drops back to 30 percent. The Administration proposes to raise the percentage to 65 percent. The 35 percent balance will continue to go towards natural area reserves and land conservation.

The Rental Housing Trust fund is leveraged by private and non-profit developers to build affordable rental units. A permanent increase in the allocation of conveyance taxes is estimated to bring \$30 million per year into the coffers of the Rental Housing Trust Account.

In addition to the conveyance tax moneys, the Lingle-Aiona Administration is proposing to infuse \$50 million over the next two years in cash into the Rental Housing Trust Account because of the urgent need to build more elderly and low-income rental developments.

Hawaiian Home Lands

The Department of Hawaiian Home Lands is in the fourth year of an aggressive plan to place every beneficiary on its waiting list in a home. To allow the department to honor its commitment, the Lingle-Aiona Administration is accelerating the annual cash payment received by Hawaiian Home Lands, providing \$90 million (rather than \$60 million) in funds over the next two years. This will continue its exceptional track record of placing native Hawaiians back on their own land.

Improve Public Housing, Rental Assistance and Address Homelessness

Federal funding for public housing is not keeping pace with the need to repair and maintain this housing. Out of 5,363 federally-financed public housing units in Hawai'i, over 400 units are vacant and waiting for repairs.

The Lingle-Aiona Administration has taken the unprecedented step of authorizing \$40 million in State general obligations bonds to pay for major repairs and renovations to these federal buildings. The money would be used to re-roof old structures, remove and replace asbestos and lead-based paint, renovate kitchens and bathrooms, reconstruct deteriorating exteriors, and demolish units that are beyond repair.

The Administration is also requesting \$15 million in general obligation bonds to repair and upgrade elevators in public housing projects. There are a total of 35 elevators in various public housing buildings. The funds will target eleven elevators that are in the worst shape. These are located at Kuhio Park Terrace, Makua Ali'i, Banyan Street Manor, and Kalanihulia.

It is also important to keep existing buildings safe and secure and undertake routine maintenance so that they do not turn into major repairs. The Lingle-Aiona Administration is requesting \$10 million to increase security patrols and perform routine maintenance, allowing quicker turnaround as families move out and public housing units become vacant.

State Rent Supplement Program

The State Rent Supplement Program was established to help low-income households rent units in the private marketplace. The \$160 per month subsidy has not been changed since 1988. The subsidy is supposed to help cover the difference between the fair market rent and 30 percent of the tenant's income.

The Lingle-Aiona Administration is recommending two changes. First, the Administration believes the \$160 cap should be lifted so that the rent supplement can be set at an amount that will genuinely help low-income families pay their rent.

Second, the program should be opened to people who make up to 95 percent of the area median income and who are paying more than 30 percent of their income for shelter. On O'ahu, a family of four earning up to \$67,735 in annual income could qualify. This will allow about 200 more households to use the Rent Supplement Program. Money is returned each year to the State treasury because too few people can use the Rent Supplement Program.

Homeless Shelters

The Lingle-Aiona Administration has made significant progress in addressing the needs of homeless people through the construction of more shelters and enhanced outreach and social services to those inside and outside of shelters. The Administration will continue to make tackling homelessness a high priority by providing \$13 million in state general funds for support services. This includes money for job training, substance abuse counseling, child care, transportation, and related services designed to put homeless families in a position where they can successfully move into private or public housing.

Keeping Housing Affordable

Buyback Provisions

Community land trusts are a relatively new form of holding land that allows homes built on that land to remain affordable. This is because the owner of the home is obliged to sell the home back to the trust who in turn sells it to another family that qualifies for affordable housing.

Historically when the state helps pay for an affordable housing project, there is an agreement that requires the owner to sell the home back to the State if they move within the first 10 years. The increase in the value of the home, known as the appreciation, is shared between the homeowner and the State.

These buyback provisions do not make sense if the house is situated on land owned by a community trust. The Lingle-Aiona Administration is proposing a bill that exempts community land trust housing projects from the buy-back and shared appreciation provisions of current law.

Last year, broad language was passed by the Legislature that forbids the Hawai'i Community Development Authority (HCDA) from selling property in fee simple. This bill creates a problem when the HCDA wants to exercise its right to buy back one of the affordable housing units it helped build in Kaka'ako and resell that unit to another affordable family. This bill would allow HCDA to continue to exercise its buyback authority for the 1,388 affordable units built in Kaka'ako to date and future affordable housing units that will be built in that area.

Financing Projects

Private housing developers start a housing project when they have sufficient funds to build the first increment of a major development. As they sell the homes in the first increment, they use the money to continue the development of the subsequent increments until the entire housing project is finished.

The State's two major housing developers, Hawaiian Home Lands and Hawai'i Housing Finance and Development Corporation (HHFDC), must, under current state law, have the entire amount of money for the entire development set aside before they can start building the first house.

The Lingle-Aiona Administration is proposing legislation that would allow these two government agencies to proceed in the same way as the private sector to expedite the construction of affordable housing projects.

Hawaiian Homes Lease Transfers

From time to time native Hawaiians on a homestead property have sold their homestead lease to a person who is not on the Hawaiian Home Lands waiting list, or who is far down the list. The Lingle-Aiona Administration is proposing a bill that would allow the Hawaiian Homes Commission to regulate the sale or transfer of existing leases.